

# FISCAL NOTE

**Bill #:** HB0313

**Title:** Child Support Assurance Program

**Primary**

**Sponsor:** Bob Raney

**Status:** Third reading

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Sponsor Signature	Date	Dave Lewis, Budget Director	Date
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## Fiscal Summary

	<b><u>FY2000 Difference</u></b>	<b><u>FY2001 Difference</u></b>
<b>Expenditures:</b>		
General Fund	\$1,742,466	\$1,574,933
Federal Special Revenue	<u>156,409</u>	<u>66,187</u>
TOTAL	\$1,898,875	\$1,641,120

<b>Revenue:</b>		
General Fund	\$379,932	\$379,932
Federal Special Revenue	<u>156,409</u>	<u>66,187</u>
TOTAL	\$536,341	\$446,119

<b>Net Impact on General Fund Balance:</b>	<b>(\$1,362,534)</b>	<b>(\$1,195,001)</b>
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<b><u>Yes</u></b>	<b><u>No</u></b>		<b><u>Yes</u></b>	<b><u>No</u></b>	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts

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## Fiscal Analysis

### ASSUMPTIONS:

#### Human & Community Services Division - 02

1. Section 6 (5) of HB 313 introduces a pilot Child Support Assurance Program (CSA) of not more than 400 families each year. For purposes of this fiscal note, 400 families would be equal to 400 cases.

2. Because the federal government has declined to give the department a formal assurance that the CSA program could be considered a separate state program and therefore eligible to be counted toward the state's maintenance of effort, we will treat the CSA program as a separate stand-alone program funded with general fund which would not count toward the TANF Maintenance of Effort (MOE).
3. In order to reduce the costs of computer system changes for a pilot, the executive will operate the pilot using a much more manual process for determining eligibility (as The Economic Assistance Management System (TEAMS) computer system will not be modified to handle CSA eligibility).
4. To accomplish this, the average eligibility determination caseload of 400 cases when using TEAMS will be reduced to 200 cases for the manual system handling CSA cases. Therefore, 2.0 FTE (grade 10) for eligibility determination are necessary at a cost of \$49,328. Each FTE will require \$2,750 in personal computers and office furniture for a total cost of \$5,500.
5. The program will require 0.25 FTE grade 15 program manager at a cost of \$10,631 to develop a selection process for participants, determine policy, write policy manual material, train the eligibility technicians, and monitor and evaluate the CSA program. Computer and office furniture costs for the position would be \$2,750.
6. HB 313 contains a requirement to publicize the availability of the CSA program. A less intensive publicity campaign will be used for the pilot program. The bill does require a mailing to all families receiving services from the Child Support Enforcement Division, or 10,249 families. The cost for a mailing would be \$3,382 in postage and \$512 for copying the announcement. The public service announcements can be developed in 8 hours of staff time at a cost of \$137. The cost of developing a new application and printing 600 copies would be \$546.
7. The cost of a 1-800 phone line as required in HB 313 would be approximately \$657. One hundred and fifteen dollars of the cost would be one-time only installation charges, with \$8.50 as a monthly charge for the phone and \$440 in per minute charges at \$0.11 per minute. It would take 0.25 FTE (grade 10) to answer the 1-800 number for a cost of \$6,166.
8. The bill calls for the availability of an on-line application. The department's computer contractor estimates a cost of \$100,000 to produce the on-line application.
9. All costs for the operations related to the CSA pilot in the Human and Community Services Division would be 100% general fund. (Please see assumption 2. above.)

FISCAL IMPACT:

	FY2000 <u>Difference</u>	FY2001 <u>Difference</u>
FTE	2.50	2.50

Expenditures:

Personal Services	\$66,125	\$66,125
Operating Expenses	<u>113,347</u>	<u>542</u>
TOTAL	\$179,472	\$66,667

Funding:

General Fund (01)	<u>\$179,472</u>	<u>\$66,667</u>
TOTAL	\$179,472	\$66,667

Child Support Enforcement Division - 05

10. Child Support Assurance (CSA) is a two-year pilot program.
11. The pilot project includes 400 families.
12. Distribution of children by family size is estimated to be: 25% of the 400 families have 1 child; 75% of the families have 2 children.
13. Total children for the 400 families =  $(.25 * 400 \text{ cases} * 1 \text{ child per case} = 100 \text{ children})$ ;  $(.75 * 400 \text{ cases} * 2 \text{ children per case} = 600 \text{ children}) = 100 + 600 = 700 \text{ children}$ .
14. The legislation provides benefit levels of up to \$200 a month for one child and \$300 for two children. This assumes all families received the full amount of CSA benefits specified in the legislation.  $(100 \text{ children} * \$200 \text{ benefit for one child} * 12 \text{ months} = \$240,000)$ ;  $(600 \text{ children} * \$300 \text{ benefit for two children} / 2 \text{ (for each child)} * 12 \text{ months} = \$1,080,000)$ ; Total annual benefit payments = \$1,320,000.
15. Based on January 1999 CSED statistics, the department collects an average of \$45.23 per month per child for the children that have court orders of \$200 or less per month. This assumption also applies to the general public who also may apply for CSA. Revenue for CSA is  $(700 \text{ children} * 12 \text{ months} * \$45.23 = \$379,932 \text{ in per year})$ .
16. CSA annual benefit impact to the general fund (Revenue – Expenditures):  $\$1,320,000 - \$379,932 = \$940,068$ .
17. The department would be able to absorb the additional CSED casework duties associated with the additional children not currently in the CSED caseload under current levels of staffing (excluding the CSA specific duties to be performed by a CSA unit).
18. To implement the CSA pilot, the CSED would create a CSA unit. The CSA unit would consist of: 2.0 FTE caseworkers, grade 13, costing \$28,712 each for a total of \$57,424 per year including benefits; 1.0 FTE accountant, grade 12, costing \$26,423 per year, including benefits; 1.0 FTE accounting technician, grade 9, costing \$20,659 per year, including benefits; 0.5 FTE grade 15, program manager costing \$17,797 per year including benefits. Total costs for these 4.5 FTE are \$122,303.
19. Office equipment costs for the CSA unit are based on \$2,750 per staff member  $(5 * \$2,750)$  for a total of \$13,750 in FY00.
20. Rent costs for each position total \$106,250 based on 250 square ft at \$85 per square ft per year per position  $(250 * \$85 * 5 = \$106,250)$ .
21. Communications costs are for 5 lines \* \$15.00 per month \* 12 months = \$900 per year, not including any long distance calls.
22. A minimal amount of changes will need to be made to the System for Enforcement and Recovery of Child Support (SEARCHS) computer system in order to operate the pilot. Programming changes above current level of effort to move the CSA caseload to its own region on SEARCHS system are estimated to cost \$131,200 during FY00. This includes setting up the CSA region on the system, mass mailings, modifying reports for the CSA caseload and modifying the distribution requirements.
23. The personal services, operating (office rent, communications costs and SEARCHS programming changes), and equipment costs for the 2.0 FTE in the CSA unit who will be working the CSA cases is eligible for Title IV-D funding at 34% state funds (in this case general funds will provide the state match) and 66% federal funds. General fund total cost is \$1,158,062 during FY00 and \$1,103,334 in FY01. Federal funds costs are \$156,409 in FY00 and \$66,187 in FY01.
24. The department will contract with an independent entity to conduct an assessment and evaluation of the pilot program. The cost is estimated to be \$50,000 for the biennium.

FISCAL IMPACT:

	FY2000 <u>Difference</u>	FY2001 <u>Difference</u>
FTE	4.50	4.50
<u>Expenditures:</u>		
Personal Services	\$ 122,303	\$ 122,303
Operating Expenses	263,350	132,150
Equipment	13,750	
Benefits	<u>1,320,000</u>	<u>1,320,000</u>
TOTAL	\$1,719,403	\$1,574,453

Funding:

General Fund (01)	\$1,562,994	\$1,508,266
Federal Special Revenue (03)	<u>156,409</u>	<u>66,187</u>
TOTAL	\$1,719,403	\$1,574,453

Revenues:

General Fund (01)	\$ 379,932	\$ 379,932
Federal Special Revenue (03)	<u>156,409</u>	<u>66,187</u>
TOTAL	\$ 536,341	\$ 446,119

Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	(\$1,183,062)	(\$1,128,334)
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TECHNICAL NOTES:

1. There is an inconsistency between section 7(3) and section 6(4) of the proposed legislation. Section 7(3) states that, "general fund appropriations for the program may be counted toward the state's maintenance of effort for the federal temporary assistance for needy families block grant in accordance with provisions for separate state programs." For a program to be able to count the general fund expended on that program as maintenance of effort, the participants served must fulfill the definition of TANF eligible family. Section 6(4) establishes the program for custodial parents up to 150% Federal Poverty Level (FPL). This is above the FPL (95.5%) level that defines family eligibility for the Montana TANF block grant.
2. The federal government has declined from giving the department an assurance that the CSA program, as it is defined by the proposed legislation, could be considered a separate state program with the general fund expended for the CSA program eligible to be counted toward the state's maintenance of effort.
3. Based on the lack of federal guidance on separate state programs, the Human and Community Services Division assumes that the CSA program would not count toward the TANF maintenance of effort and would be a separate, stand alone program completely removed from the TANF program.
4. If it is determined by the federal government that the CSA program would count toward the TANF MOE, the pilot CSA program could still use manual eligibility determination and the significant costs to re-program the TEAMS computer system (\$615,800) would be unnecessary. However, federal reporting would still be required, and \$40,000 would be necessary to develop an electronic reporting file in the format required by the federal government. In addition, 1.0 grade 15 FTE at a cost of \$35,594 would be

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required to track the program as a separate state program that qualifies as TANF maintenance of effort. These costs have not been included within the fiscal note.

5. The only eligibility criterion is for clients to be at or below 150% of the poverty level. No details are provided on how applicants will be determined to satisfy this criterion. The bill does not ask for resource or assets tests or speak to other issues of how eligibility for CSA will be determined. Resource tests provide information on applicants' bank accounts, property, trust funds, or other resources. It is unclear how often eligibility for the CSA program would need to be re-determined. The bill does not specify whether self-employment income would be calculated before or after business expenses or how self-employment income would be verified.
6. It is unclear how the employment requirements specified would be monitored.
7. Section 3 (1)(b) indicates a "simple application" while section 4 (7) states that the "custodial parent remains eligible for Medicaid". There is an assumption that people who are otherwise eligible for Medicaid will still be eligible. Therefore, the CSA applicant must apply separately for CSA and Medicaid.
8. Section 3 (1)(e) requires a 15-day eligibility processing timeframe. Fifteen days will be difficult to meet considering that eligibility will be determined manually and section 6 requires that the child support assurance payments be calculated "on the last day of each month".
9. Section 3 (2) (b) requires that "priority" be given to establish support orders for the CSA program while the federal government requires that all child support cases be pursued vigorously.
10. Section 4 (7), second sentence should read, "However if the custodial parent is otherwise eligible for Medicaid and child care services, the parent remains eligible for these services." Eligibility may not have been determined for these programs.
11. Section 5 (2) gives domestic violence as a good cause exception to the rule that the custodial parents must cooperate with the state in pursuing child support, but there are other good cause reasons, such as complying with legal proceedings for the adoption of the child, that are not mentioned in the bill.
12. Section 5 (1) (c) says the custodial parent must "turn over" to the state any child support paid by the non-custodial parent directly to the custodial parent, but the bill does not specify any penalty if the custodial parent having received a direct payment does not turn the money over to the state.
13. Section 6 (5) addresses a pilot CSA program, but it does not identify how pilot families will be selected.
14. Section 2 (2) defines a custodial parent but does not say that the child must be living with the custodial parent.
15. In order to facilitate the management of the CSA program, a unit with a stand-alone system will be implemented to over see the program. The 2.0 FTE caseworker staff in the CSA unit can be co-located with the rest of the CSA staff and are eligible for federal Title IV-D funding. However, the remaining 2.5 FTE CSA unit staff costs are not eligible for federal financial participation funding and will be funded with general fund.
16. The CSED will need authority to issue warrants for CSA benefits.